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SUBJECT: Minister of Agriculture, Mehdi Eker's comments on
Turkey's new agriculture policy and on the WTO rice case

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1. (SBU) Summary. In a December 22 meeting, Minister of Agriculture Mehdi Eker gave the Ambassador a general overview of the new Turkish agriculture policy and commented on the Turkish rice situation, in light of the current WTO case. Both sides agreed that the best manner to resolve the rice issue is through negotiations. End Summary.

Minister's description of the new Turkish Agriculture Policy

2. (SBU) Minister Eker informed the Ambassador that the GOT has developed a national "Agriculture Strategy Plan," which will become the new Agriculture Law in early 2006. The purpose of establishing this new law is to set in place a long-term agriculture policy for the country that is independent of changes in government and populist preferences. The intent of this law is to improve agriculture productivity, the biggest problem in Turkish agriculture due to the small size of Turkish farms. One way the GOT will address this issue is to concentrate on land consolidation and the establishment of large commercial farms.

3. (SBU) As described by the Minister, the new Agriculture law will move away from traditional Turkish price and import support policies and move toward direct income payments, deficiency payments, and policies that protect the environment. It will also focus on research and rural development projects, mainly in Southeast Turkey.

Minister's Comments on Rice

4. (SBU) Minister Eker stated that Turkey needs 560,000 MT of rice annually to meet its domestic consumption demand. He said that Turkey produces half or slightly more than half of that and imports the rest. He calculated that 560,000 tons of milled rice is equivalent to 900,000 tons of paddy rice. According to Turkish statistics, Turkey imported 98.9 percent of its needs from the United States between January and September 2005.

5. (SBU) COMMENT: U.S. export statistics from 2005 will not reflect the Turkish data that the Ministry quoted. In order to circumvent the Turkish import regime and secure the best prices, Turkish traders imported the rice from the United States in 2004 and kept it in bonded warehouses until they were allowed to bring it into the country officially with import licenses in 2005.

6. (SBU) The Minister mentioned that there are 25,000 rice producers in the country, all with very small production areas and because of the small size of the lands, production costs are high and they need assistance. He also pointed out that the GOT reduced the import duty for paddy rice this year from 34 percent to 20 percent.

7. (U) Ambassador expressed appreciation for the Minister's comments. He said that we believe Turkey's domestic purchase requirement and practice of denying import licenses are unfair and violate the country's WTO obligations. We are prepared to see the case through to a conclusion, but would welcome a negotiated settlement consistent with Turkey's obligations. He offered no comment on Eker's remarks regarding paddy rice or the reported suggestion that a deal on paddy rice might be sufficient to resolve the matter. Ambassador added that if the case proceeds, he would downplay it as a conflict between the United States and Turkey, and note that we believe Turkey's market protection practices violate its WTO commitments, and highlight the WTO's role in adjudicating differences among members. Eker agreed that it would be preferable to handle

this issue through negotiations. Ambassador Wilson proposed the upcoming TIFA meetings as an early bilateral forum for more discussion on this issue.

WILSON